

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Venezuela

## Coffee Annual

## Coffee

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**Report Highlights:**

Low farm gate prices and significant competition from government imports have reduced profitably for domestic coffee producers. Forecast production in the next market year could recover if weather conditions improve, but significant imports will still be required to meet demand.

## **Executive Summary:**

Venezuela's coffee output has been under significant pressure from low output prices, weather, and economic policy in the last few years. Production for the period 2010/11 is estimated at 766,000 bags, a good harvest, but below potential due to unexpected rains at the beginning of the year. Large inventories of imported coffee available to processors make it more difficult for farmers to market their crop. About 521,000 bags of imported coffee entered the country during MY 2010/11, mainly from Brazil and Nicaragua. Forecast imports for 2012 will be around 230,000 bags, lower than the current year as production is forecast higher, but still significant.

## **Commodities:**

Select

## **Production:**

Coffee production from the harvest that began in September 2010 was expected to be good at about 1.2 million quintals; however, the delay of summer weather and unexpected rains that fell in the main coffee areas at the beginning of the present year have affected this crop, and farmers are concerned as plant flowering was disrupted, which could result in lower than expected production. The coffee harvest began in September 2010 and ended in March 2011. The harvest can be either a month or so ahead or behind, depending on climatic conditions.

Farmers thought at the beginning of the season that this could be a good year for coffee but with these climatic changes, they estimate output for the period 2010/11 at 1.05 million quintals, or 766,000 bags. Farmers think that the only benefit that the rains will bring for the production of coffee is the growing of new branches in the plantations. However, these benefits will not be seen until the next harvest which starts in the coming October.

This plant growth, as well as expected renewal of fertilization programs that were not done in the last cycle, will translate into a better production forecast for the market year beginning October 2012, at 880,000 bags. Coffee is a sector included in the Government Agricultural Plan whose objective is to increase the area planted and the renovation of coffee plantations.

Coffee farmers in Venezuela have had difficulties due to lack of profitability because of controlled farm-gate prices, and a market saturated with large inventories of imported coffee.

State-owned roasters (which handle 75 percent of the market) have large inventories of imported beans. Farmers have difficulty selling their product because roasters are saturated with imported coffee; farmers estimate that between 100,000 and 150,000 quintals of their beans don't have a market. Before their expropriation, two big coffee processors (Fama de America and Cafe Madrid) were the main buyers of the domestic crop. These companies have bought only very small

quantities of domestic coffee since they have large inventories of imported coffee. The lack of buyers has led to declines in the price of domestic coffee, since dealers are paying between Bs 380 and Bs 440 per quintal even when the regulated price is Bs 585 per quintal.

Low profitability in the last few years has caused the abandonment of thousands of hectares of coffee, so the drop in area harvested is estimated at about 12 percent in the last year. A few years ago, there were about 208,000 hectares, but currently there about 180,000 hectares. There were about 80,000 coffee-growing families, but now they number less than 50,000.

Coffee growers said that harvests have declined due to the pressure of imports from other countries. Many coffee farmers convert their land to cattle ranching because they find it difficult to market their raw coffee beans.

### **Consumption:**

Per capita consumption is estimated at about 3.4 kg per year. Local coffee consumption is considered high when compared with other producing countries. According to figures from producer organizations, domestic consumption in 2010/11 is estimated at 1,150,000 bags and in 2011/12 is forecast at 1,180,000 bags. This increase in consumption is linked to access of low-income segments of the population to the basic food basket products through government food commercial chains which commercialize food products at lower prices. Coffee is included in the basic food basket.

### **Trade:**

The Venezuelan coffee market is largely domestic. No significant exports have been registered since 2004, but unofficial shipments through the border do reportedly occur due to more favorable prices across the border.

The Bolivarian Government is the sole importer of coffee. It estimates that about 680,000 quintals or 521,000 bags of imported coffee entered the country during MY 2010/11 mainly from Brazil, Nicaragua and other origins. Imports for the period 2011/12 are officially forecast to decrease based on the government's "Socialist Coffee Plan" designed to expand production capacity and diminish imports.

The Bolivarian Government has said once more that in the framework of agreements signed with the Governments of Russia and Belarus, Venezuela will export ground coffee to these countries, but the Venezuelan coffee producers do not agree with this statement because the country currently imports 45 percent of their needs.

### **Production, Supply and Demand Data Statistics:**

Coffee, Green Venezuela	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	300	200	0	200		200
Area Harvested	208	180	0	180		180

Bearing Trees	560	500	0	500		500
Non-Bearing Trees	30	30	0	30		30
Total Tree Population	590	530	0	530		530
Beginning Stocks	331	331	381	430		448
Arabica Production	725	728	690	766		880
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	725	728	690	766		880
Bean Imports	95	310	100	521		230
Roast & Ground Imports	0	5	0	5		5
Soluble Imports	110	1	100	1		1
Total Imports	205	316	200	527		236
Total Supply	1,261	1,375	1,271	1,723		1,564
Bean Exports	0	60	0	100		50
Rst-Grnd Exp.	0	5	0	0		0
Soluble Exports	0	0	0	0		0
Total Exports	0	65	0	100		50
Rst,Ground Dom. Consum	855	870	930	1,150		1,180
Soluble Dom. Cons.	25	10	25	25		25
Domestic Use	880	880	955	1,175		1,205
Ending Stocks	381	430	316	448		309
Total Distribution	1,261	1,375	1,271	1,723		1,564
1000 HA, MILLION TREES, 1000 60 KG BAGS						

## Author Defined:

### Prices

Coffee, like many other products of the basic food basket, is under a controlled price regime. Since 2003, the prices of coffee on the Venezuelan market have not been adjusted upward at the same rate as production costs, thus undermining the capacity of reinvesting in crops and production performance. Farm-gate prices for green coffee as well as ground coffee retail prices were last adjusted in November 2009.

While coffee prices have increased to record levels in international markets, coffee growers in Venezuela have been hit by the official price policy that in the last few years has led to a decline in domestic production.

The Government will need to pay more for coffee imports this year because world prices for food have doubled. Last year coffee imports cost about US\$ 130 to US\$ 150 per quintal and according to the International Coffee Organization (ICO) the price of Colombian beans was quoted in March 2011 at a record price of US\$ 320 per quintal, the highest price in the last 34 years, while the minimum price is US\$ 290 per quintal. In Brazil the price was US\$ 252, equivalent to an increase of over 50 percent. This means that the government will have to allocate twice the resources to import the coffee and supply domestic consumption.

Thus the government will have to pay more for the imported coffee while the domestic producers have a regulated farm gate price of Bs 747 per quintal. According to figures from the ICO, since 2007 Venezuelan producers stopped exporting surplus domestic production and increased imports to cover the deficit.

In 2010, the Venezuelan government imported about 680,000 quintals of coffee at an international price of US\$ 150 per quintal. Coffee farmers claim that the Venezuelan government is thereby subsidizing coffee producers of other countries.